



FACT SHEET

U.S.-Peru Trade Promotion Agreement Montana Farmers Will Benefit

November 2007

The U.S.-Peru Trade Promotion Agreement (PTPA) provides increased market access to Montana's agricultural exports by making agricultural trade a two-way street and leveling the playing field with respect to third country competitors in the Peruvian market. With immediate elimination of duties on nearly 90 percent of current U.S. trade to Peru, the PTPA will provide Montana producers and exporters the opportunity not only to preserve but to increase market share in Peru. The American Farm Bureau and over 40 other agricultural industry and farm groups strongly support the agreement stating that the agreement would benefit all U.S. agricultural sectors and allow the United States to become a competitive supplier of agricultural products to Peru.

Exports of farm products boost Montana's farm prices and income. Such exports support about 7,000 jobs both on and off the farm in food processing, storage, and transportation. Agricultural exports amounted to \$590 million and made an important contribution to Montana's farm cash receipts in 2006 that totaled \$2.3 billion.

Beef. As the top source of farm cash receipts at over \$1.1 billion, Montana's ranchers and beef industry benefit from the PTPA.

- Peru will immediately eliminate the 25-percent duties (30-percent allowed by the World Trade Organization (WTO)) on the beef products of most importance to the U.S. beef industry – Prime and Choice cuts.
- U.S. exporters of variety meats (offals) will immediately receive duty-free access under a 10,000-ton tariff-rate quota (TRQ) that will grow six percent compounded annually. The 12-percent over-quota tariff will be phased out over ten years.
- Peru will provide immediate duty-free access for U.S. exports of standard quality beef through the establishment of an 800-ton TRQ that will grow six percent compounded annually. The 25-percent over-quota tariff will be phased out over 11 years.
- The United States will phase out its beef tariffs over 15 years except for those tariffs that are already duty-free under the Andean Trade Promotion and Drug Eradication Act (ATPDEA). The PTPA will continue the duty-free treatment.
- Peru agreed to continue to recognize the equivalence of the U.S. meat inspection and certification system to its own system.

- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, the U.S. Meat Export Federation, the US Hides, Skin and Leather Association, U.S. Livestock Genetics Export, Inc., and the Pet Food Institute publicly support the PTPA.*

Wheat and Barley. As the nation's third largest wheat exporter, with farm cash receipts from wheat and barley ranking second and third in the state, Montana wheat and barley producers benefit from the PTPA.

- Peru will immediately eliminate the 17-percent tariff (up to 68 percent allowed by the WTO on certain wheat products) on wheat imports from the United States as well as the 17 to 25-percent tariff (30 percent allowed by the WTO) on barley imports.
- Peru will immediately eliminate tariffs on processed wheat products and on barley malt.
- *The National Association of Wheat Growers, the National Grain and Feed Association, the National Grain Trade Council, the North American Export Grain Association, the Wheat Export Trade Education Committee, the North American Millers' Association, the National Barley Growers Association, and the American Bakers Association publicly support the PTPA.*

Vegetables, Including Potatoes and Dried Peas, Lentils and Beans. As the state's third largest agricultural export, Montana vegetable producers benefit from the PTPA.

- U.S. exporters currently face duties between 12 and 25 percent, and the WTO permits duties as high as 30 percent.
- With almost \$36 million in farm cash receipts for dried peas, lentils and dried beans, Montana producers benefit from immediate duty-free access for peas and lentils. Peru will also immediately eliminate tariffs on kidney beans, white pea beans, and small red beans. Peru will phase out tariffs on other dried beans over five years.
- Montana's potato producers, with almost \$34 million in farm cash receipts, benefit from immediate elimination of all duties on potatoes and potato products, including frozen french fries, potato flakes and potato chips.
- *The USA Dry Pea and Lentil Council, the United States Dry Bean Council, the National Potato Council, the American Frozen Food Institute, the Grocery Manufacturers of America, and the Food Products Association publicly support the PTPA.*

Dairy. Providing the sixth largest source of state farm cash receipts, Montana dairy producers benefit from the PTPA.

- Under the PTPA, Peru will immediately eliminate its system of variable levies (price bands) facing U.S. exporters. Under the system, tariffs can be as high as the WTO ceiling of 68 percent on some dairy products.
- Peru will immediately eliminate tariffs on whey.
- Both Peru and the United States will establish duty-free TRQs for certain dairy products totaling 10,000 tons.

- TRQs will grow by ten percent compounded annually, with certain dairy products subject to safeguards during the tariff phase-out period.
- All Peruvian duties on dairy products will be eliminated within 17 years, with duties on some dairy products eliminated earlier.
- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, the International Dairy Foods Association, and the Food Products Association publicly support the PTPA.*

Sugar. There will be no reductions in the U.S. over-quota duty that currently provides the equivalent of a 100-percent tariff protection for domestic producers including the one-percent of Montana's farms engaged in sugar production.

- The United States will establish a 9,000-ton TRQ for Peru. This amount grows very slowly by two percent a year into perpetuity, so that by year 15 of the PTPA implementation, the TRQ will be 11,520 tons. The United States will also establish a 2,000-ton TRQ for specialty sugar goods from Peru. The specialty sugar TRQ will not grow.
- Provisions will ensure that Peru will only ship when it is a net surplus exporter, and provisions have been agreed to allow alternative forms of compensation to be established to facilitate sugar stock management by the United States.
- *The Sweetener Users Association, the Grocery Manufacturers of America, and the Food Products Association have expressed support publicly for the PTPA.*